



# Department of Defense INSTRUCTION

July 10, 1989  
NUMBER 7310.1

C, DoD

SUBJECT : Disposition of Proceeds from DoD Sales of Surplus Personal Property

References: (a) DoD Instruction 7310.1, "Disposition of Proceeds from Sales of DoD Excess and Surplus Personal Property," November 15, 1984 (hereby canceled)

(b) Public Law 152, "The Federal Property and Administrative Services Act of 1949, " a-s-amended, Sections 203 and 204 (40 U.S. C. 484 and 485)

(C) DoD 4160.21-M, "Defense Utilization and Disposal Manual , " September 1982, authorized by DoD Directive 4160.21, December 5, 1980

(d) Federal Acquisition Regulation (FAR), April 1, 1984

(e) through (i), see enclosure 1

## A. REISSUANCE AND PURPOSE

This Instruction reissues reference (a) to provide revised and expanded instructions on the collection and disposition of cash and cash equivalents received by the DoD Components for the DoD sale of surplus personal property.

## B. APPLICABILITY AND SCOPE

This Instruction:

1. Applies to the Office of the Secretary of Defense (OSD), the Military Departments, the Joint Chiefs of Staff (JCS) and the Joint Staff, the Unified and Specified Commands, the Inspector General of the Department of Defense (IG, DoD), the Defense Agencies, and DoD Field Activities (hereafter referred to collectively as "DoD Components").

2. Applies to the proceeds resulting from sales made under authority of P.L. 152 (reference (b)) and to the following:

a. Personal property governed by DoD 4160 .21-M (reference (c)).

b. Surplus Government-owned personal property in the possession of contractors, as described in FAR subpart 45.6 (reference (d)).

c. Recyclable material governed by 10 U. S.C. 2577 (reference (e)). Such materials would otherwise be sold as scrap or discarded as waste, but are capable of being reused after undergoing some type of physical or chemical processing- The recycling of hazardous materials or hazardous-waste shall be accomplished with due recognition of the types of materials being processed and the applicable regulation

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governing the handling and disposal of such materials. Qualified recyclable materials do not include the following:

(1) Precious metal-bearing scrap and those items that may be used again for their original purposes or functions without any special processing; e.g. used vehicles, vehicle or machine parts, bottles (not scrap glass), electrical components, and unopened containers of oil or solvent.

(2) Ships, planes, or weapons that must undergo demilitarization or mutilation before sale.

(3) Scrap generated from DoD industrial fund (IF) operations that has been routinely sold with the proceeds being used to offset customer costs.

(4) Bones, ~~fats~~, and meat ~~trimmings generated~~ by a commissary store or exchange.

#### C. POLICY

1. Cash or cash equivalents in the prescribed amounts shall accompany bid deposits for a bid to be considered responsive. Similarly, cash or cash equivalents for the total sales price shall be received by the DoD Components or, in authorized cases, by contractors before the transfer of physical possession to the successful bidder.

2. Amounts collected by the DoD Components in connection with the sale of excess and surplus property shall be deposited promptly to the U.S. Treasury accounts prescribed in accordance with this instruction. The use of suspense accounts shall be minimal. If the account, ultimately to, be credited with the proceeds of a sale, can be determined reasonably at the time funds are collected, the deposit shall be made immediately to that account.

3. The Secretary of each Military Department shall establish qualified recycling programs. The effort associated with the collecting, processing and selling of recyclable material is in enclosure 2.

a. Proceeds from the sale of recyclable material shall be used to reimburse installation-level costs incurred in operation of the recyclable program.

b. After reimbursement of the cost incurred by the installation to operate the recycling program, installation commanders may use up to 50 per-cent of remaining sale proceeds for pollution abatement, energy conservation, and occupational safety and health activities. A project may not be carried out for an amount greater than 50 percent of the amount established by law as the maximum amount for a minor construction project.

c. Any sale proceeds remaining after paragraphs C.3.a. and C.3.b., above, may be transferred to installation morale or-welfare activities.

D. RESPONSIBILITIES

The Heads of DoD Components that sell surplus personal property shall implement the procedures prescribed in this Instruction for the disposition of cash and cash equivalents received in connection with such sales.

E. PROCEDURES

1. Required Bid DeDosit. When a sale conducted by a DoD Component provides for bid deposit with subsequent removal, the following procedures shall apply:

a. Term Bid. This type of bid deposit is applicable when the sale involves the purchase of scrap or disposable material that will be generated over time with periodic removal by the successful bidder. The amount of the bid deposit required to **accompany** such **bids** is the average estimated quantity of such material to be generated during a 3 month period multiplied by 20 percent of the bid price. The calculation is illustrated, as follows:

Estimated quantity of material to be generated each quarter	3,000 pounds
Bid price - \$ 1.00 per pound	<u>x \$1.00</u>
Subtotal	<u>\$3,000</u>
20 percent of bid price	<u>20%</u>
Amount to accompany bid	\$ 600

b. Other Than Term Bid. With the exception of term bids, payment in the **amount of 20** percent of the bid **shall** accompany the bid.

2. Payment Terms. When a sale conducted by a DoD Component provides for immediate pickup, the entire amount of the sales price shall be collected from the buyer at the conclusion of the sale. If the sale provides for a bid deposit, the balance of the bid price shall be paid before removal of the property.

3. Form of Payment

a. Cash and Certified Checks. When a sale is conducted by a DoD Component, cash or its equivalent shall be collected for bid deposits and for remaining amounts due. Guaranteed negotiable instruments, such as cashiers checks, certified checks, travelers checks, bank drafts, or postal money orders are acceptable as a cash equivalent.

b. Personal Checks. Personal checks may be accepted by a DoD Component only when a performance bond or a bank letter of credit is on hand that will cover the amount due. If the check is dishonored, amounts due shall be collected from the issuer of the performance bond or letter of credit.

(1) If a bidder intends to use a bond or letter of credit without an accompanying personal check, the claim against the performance bond or letter of credit shall be made for any amounts due.

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(2) If personal checks are used, the bond or letter of credit shall be returned intact after the applicable personal checks are honored, unless other instructions have been received from the bidder.

c. Credit Cards. Approved credit cards may be accepted by a DoD Component for payment.

(1) Before initiating any credit card transactions, the selling DoD Component shall enter into an agreement with a network commercial bank. Currently, the Treasury has approved the use of "Master Card" and "Visa" charge cards. Changes or additions to approved credit cards are announced in Comptroller of the Department of Defense (C,DoD) memoranda or in changes to the TFM (reference (f)). Except for equipment and communication costs, the Treasury pays any fees normally charged to sellers. If the Treasury policy of paying such charges is changed, any charges for the processing of approved credit card transactions ~~shall~~ be assessed to the buyer---

(2) If a credit card is used for the bid deposit and authorization is declined, the bid shall be rejected as nonresponsive and other bidders considered.

(3) Approval for charges against credit cards shall be processed as follows:

(a) The credit card presented shall be passed through the DoD installation's credit card swiper. The swiper is connected electronically with the network commercial bank selected by the DoD Component, and keys are provided to enter the proposed charge amount. If the charge is approved, the **swiper** will provide an approval number that **shall** be recorded on the charge slip.

Note:

A swiper is an electronic device that is used to capture the magnetic information contained on a credit card and transmit it to the network commercial bank for validation and authorization of a sale. The information captured normally includes the account number, issuing bank, date of expiration of the card, and any credit restrictions that may apply.

(b) The bidder shall sign a standard credit card charge form at the sales contracting office. A copy of this form shall be returned to the card holder at that time. A copy of the charge slip shall be retained by the selling DoD activity as a record of the sale. On the following business day, the installation finance and accounting officer or the activity providing accounting support shall submit the signed credit card forms with a supporting cover sheet showing the total charges to the network commercial bank. Accounting control must be maintained over such in-transit deposits.

(c) On receipt of the credit card-charge forms, the network commercial bank **shall** charge the bidder's credit card account and deposit the funds to the Treasury general account. The network commercial bank also is required to forward a copy of the deposit slip to the DoD installation making the sale within 1 business day. On receipt of the deposit slip, the in-

provide the necessary information shall be referred formally to the property disposal cashier for the required information.

b. The Military Department's finance and accounting office receiving the sales proceeds shall mail a copy of the cash collection voucher to the fiscal station shown on the collection voucher. This advance copy shall be used by the fiscal station to record the collection of proceeds to its account and shall be used for follow-up purposes, as necessary. The copy received through the financial network shall be used to clear the undistributed collection. These vouchers **shall** be mailed in the weekly TFO cycle.

c. The Military Department's finance and accounting office shall:

(1) Report weekly transactions to the responsible fiscal station cited on the collection voucher.

(2) Report the-collections **within** the **same month** in the "Statement of Transactions" to the Treasury.

#### 7. Contractor Sales of Surplus Government-Furnished Property

a. **DFARS** Section 245.610 (reference (g)) provides overall direction for crediting proceeds from contractor conducted sales of surplus Government furnished property. Paragraph E.7.e., below, provides the procedures that shall be used to ensure proper accounting for such proceeds.

b. The contractor making the sale may follow normal company policy on bid deposits and form of payment. However, any loss associated with dishonored payment shall be the contractor's responsibility.

c. The plant clearance officer (**PLCO**) is responsible for notifying the appropriate accounting office of the amounts collected by the contractor. The PLCO shall also notify the accounting office whether such collections:

(1) Represent an increase in the dollar value of the applicable contract(s).

(2) Were made instead of disbursements on the applicable contract(s).

(3) Were returned to miscellaneous receipt account 972651, "Sale of Scrap and Salvage, Materials, Defense."

d. The accounting office for the contract is identified in the accounting classification code. See DoD 7220.9-M, chapter 17 (reference (h)), for additional information.

e. The accounting office shall prepare the source documents necessary to account properly for the transaction. The value of applicable Government property general-ledger-asset accounts shall be reduced for each alternative set forth in above in paragraph E.7.c. above. Additionally, for alternatives (addressed in subparagraphs E.7.c.(1) or E.7.c.(2)), above, an accounting entry shall be made to reflect the creation of reimbursable obligational authority and **the** use of such authority.

transit account shall be cleared and appropriate accounts credited following the procedures in subsection E.4., below:

(4) If a contractor's bid is provided by message, mail, or telephone to the U.S. Government using a credit card instead of other forms of payment, the following information is required:

- (a) Account number.
- (b) Bidders name, as it appears on the credit card.
- (c) Date of expiration of the card.
- (d) Issuing bank.
- (e) Type of card.

Any additional cost incurred by the Department of Defense in connection with the use of the charge card, such as telephone calls to obtain approval from the network bank, shall be billed to the purchaser as an additive charge.

#### 4. Disposition of Proceeds

a. Proceeds from the sale of surplus personal property shall be deposited by the collecting DoD Component promptly to the U.S Treasury accounts prescribed in enclosure 3. The use of suspense accounts shall be minimal. If the account ultimately to be credited with the proceeds of a sale can be determined reasonably at the time the funds are collected, the deposit shall be made immediately to that account.

b. See subsection E.6., below, for special instructions on the processing of proceeds resulting from the sale of recyclable material.

#### 5. Return of Bid Deposits to Unsuccessful Bidders

a. Cash collected from unsuccessful bidders by a DoD Component shall be **deposited to** account X6875, "Suspense," and a check shall be drawn on that account to reimburse unsuccessful bidders.

b. Normally, **noncash** bid deposits shall be returned to unsuccessful bidders by DoD Components through the mail. However, when a bidder has requested expedited return and has provided the name of a carrier and a charge account number, the designated carrier shall be called to pick up the **deposit** with the explicit condition that applicable carrier costs will be charged to the bidder's account.

6. Sales of Recyclable Material. The efforts associated with collection and processing of recyclable material are reflected in enclosure 2. The following transactions for others (TFO) procedures apply:

a. Proceeds from the sale of **recyclable** material shall be deposited in F3875, "Budget Clearing Account (Suspense)." The deposit to F3875 shall identify the fiscal station and the name of the installation (use the full name and do not abbreviate) that is to receive the proceeds. Deposits that do not

F. INFORMATION REQUIREMENTS

The reports cited in Paragraph E.6.c.(1) and (2) in this instruction are exempt from licensing in accordance with Paragraph E.4.g. of DoD 7750.5-M (reference (i)).

G. EFFECTIVE DATA AND IMPLEMENTATION

This instruction is effective immediately. Forward one copy of the implementing documents to the Comptroller of the Department of Defense within 120 days.

  
Sean O'Keefe  
Comptroller "

Enclosures-3

1. References
2. Efforts and Costs Associated with the Disposal of Recyclable Material
3. Disposition of Amounts Collected from Successful Bidders

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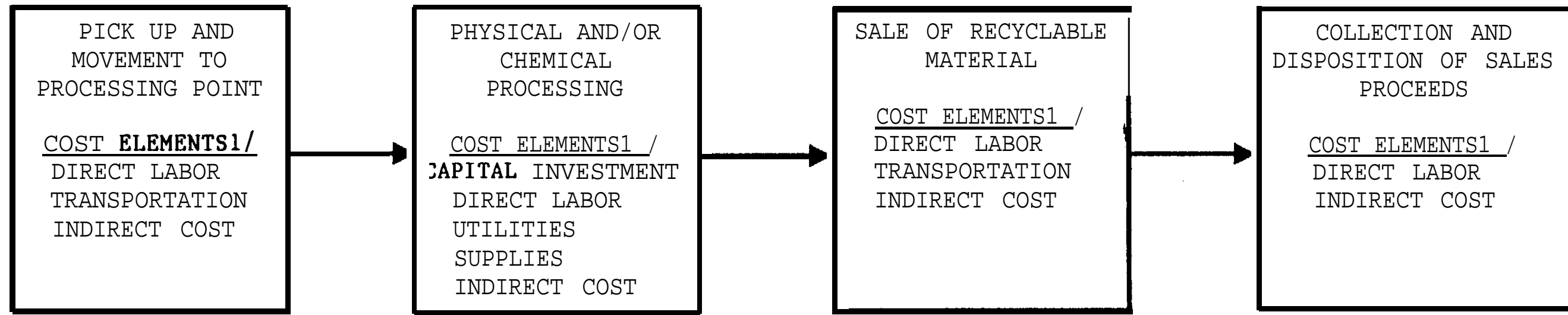
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REFERENCES, continued

- (e) Title 10, United States Code, Section 2577
- (f) Treasury Financial Manual, **Volume I** (I TFM)
- (g) Defense FAR Supplement (**DFARS**) August 22, 1988
- (h) DoD 7220.9-M, "DoD Accounting **Manual**," October **1983**, authorized by DoD Instruction 7220.9, October 22, 1981
- (i) DoD 7750.5-M, "DoD Procedures For Management of Information Requirements," November 1986, authorized by DoD. Directive 7750.5, August 7, 1986



**EFFORTS AND COSTS ASSOCIATED WITH  
THE DISPOSAL OF RECYCLABLE MATERIAL**



- 1/ The proceeds of sales of DoD-purchased materials, labor, and assets shall be recouped on the basis of a sale to "Another Federal Agency, " as prescribed in DoD 7220.9-M, chapter 26 (reference (h)). This procedure excludes capital investment costs. Such costs may be paid from recyclable material sales proceeds in their entirety. Therefore, amortization of capital items is not applicable.

DISPOSITION OF AMOUNTS COLLECTED FROM SUCCESSFUL BIDDERS

Type of Property	Disposition of:	
	(20%) Bid Deposit	(80%) Remaining Balance
1. Scrap turned <i>in</i> by IF activities.	IF	IF
2. Usable personal property purchased by and turned in by IF activities.	IF	IF
3. Property purchased with funds from trust fund _X8420Y- "Surcharge Collections, Sales of Commissary Stores."	--- _ X8420 - - -	_ X8420 ...
4. Automatic data processing equipment owned by the General Services Administration (GSA) and leased to the Department of Defense.	<u>F3875</u> , Budget <u>Clearing</u> Account (Suspense).	<u>F3875</u> . On receipt of the entire amount due from the bidder, a check shall be drawn on the suspense account and forwarded to the GSA at the following address:  General Services Administration Office of Finance (WBCRC ) Collections and Securities 7th and I Streets, NW, Washington, D.C. 20407.
5. Pre Military Assistance Program (MAP) merger (Pre fiscal (FY) 1982) property issued under the MAP and returned as no longer needed, and all MAP-funded administrative property belonging to the Security Assistance Offices.	11_1080, "Military Assistance, Funds Appropriated to the President."	11_1080  ..

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DISPOSITION OF AMOUNTS COLLECTED FROM SUCCESSFUL BIDDERS - CONTINUED

Type of Property	Disposition of:	
	(20%) Bid Deposit	(80%) Remaining Balance
5. Coast Guard property under the physical control of the Coast Guard at the time of sale.	— F3875	<p>— F3875 . On receipt of the entire amount due from the bidder, a check shall be drawn on the suspense account and forwarded to the Coast Guard at the following address:</p> <p>Commandant U.S. Coast Guard (GFAC) Washington, D.C. 20593</p>
2. Property owned by nonappropriated fund instrumentalities, excluding garbage suitable for animal consumption that is disposed of under a multiple-pickup contract.	— X6875, "Suspense"	— X6875. On receipt of the entire amount due from the bidder, a check shall be drawn on the suspense account and forwarded to the applicable instrumentality.
<p>3. Recyclable material.</p> <p><u>NOTE</u> 1/ 10 U.S.C. 2577(reference (e)) limits the amounts which can be held in F3875 at the end of any FY resulting from the program to \$2 million. Amounts in excess of \$2 million are to be transferred to "Miscellaneous Receipts of the Treasury." This Instruction provides for immediate Distribution of all sales proceeds received from the recyclable program.</p>	— F3875 1/	— F3875.1/ On receipt of the entire amount due from the bidder, deposit total proceeds to the accounts designated by the DoD military installation that gave the material up for disposal.

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## DISPOSITION OF AMOUNTS COLLECTED FROM SUCCESSFUL BIDDERS - CONTINUED

Type of Property	Disposition of:	
	(20%) Bid Deposit	(80%) Remaining Balance
9. Lost, abandoned, or unclaimed privately owned-personal property.	972651, "Sale of Scrap and Salvage Materials, Defense."	<u>X6001</u> , "Proceeds of <b>Sales</b> of Lost, Abandoned or Unclaimed Personal Property." The owner(s) of lost, abandoned, <i>or</i> unclaimed property may claim the net proceeds from sale of that property within 5 years of the date of the sale by providing proof of ownership to the government. After 5 years from the date of the sale, any unclaimed net proceeds shall be transferred from <u>X6001</u> to general <b>fund</b> miscellaneous receipt account <u>1060</u> , "Forfeitures of Unclaimed Money and Property."
10. Property owned by a country or international organization.	<b>Operation</b> and maintenance appropriation of the DoD Component that sells the property. (This is reimbursement for selling expenses.)	<u>X6875</u> . On receipt <b>of</b> the entire amount due from the bidder, a check for 80% of the sales price shall be drawn on the suspense account and forwarded to the applicable <b>foreign</b> country or international organization.
11. Bones, fats, and meat trimmings generated by a commissary store.	Stock Fund.	Stock Fund.
12. Government furnished property sold by contractors. <b>NOTE:</b> <u>1/</u> See subsection E.7. of the [instruction.	<u>1/</u>	<u>1/</u>

DISPOSITION OF AMOUNTS COLLECT ) FROM SUCCESSFUL BIDDERS - CONTINUED

Type of Property	Disposition of:	
	(20%) Bid Deposit	(80%) Remaining Balance
13. All other property	972651	972651

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